



Proxy voting policies as tools for shareholder engagement in CSR: an exploratory study

Rachelle Belinga, Blanche Segrestin

► To cite this version:

Rachelle Belinga, Blanche Segrestin. Proxy voting policies as tools for shareholder engagement in CSR: an exploratory study . European Academy of Management Conference (EURAM 2016): "Manageable cooperation?", Jun 2016, Paris, France. hal-01312918v1

HAL Id: hal-01312918

<https://hal-mines-paristech.archives-ouvertes.fr/hal-01312918v1>

Submitted on 9 May 2016 (v1), last revised 28 Nov 2022 (v2)

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

Title: Proxy voting policies as tools for shareholder engagement in CSR: an exploratory study

Suggestion of short running title: Proxy voting policies and CSR

Abstract- This paper presents an exploratory study on proxy voting policies as a lever for social shareholder engagement (SSE). It proposes an analysis framework for an ongoing empirical research and produces its first results of investigation. Although SSE is a growing phenomenon, it needs more concrete means of action. If the influence of shareholder activists is frequently denounced for its negative impact on corporations, which concrete means shareholders who want CSR to benefit from their leverage have at their disposal? While in Europe shareholder proposals are limited, proxy voting policies appear as a significant element which has been insufficiently explored in the SSE literature. Starting with a first sample of proxy voting policies, we examine the potential use of voting policies by engaged shareholders. Our analysis shows limited differentiation and we search for some first hypotheses that could lead and support further research.

Keywords: proxy voting policies; proxy voting; shareholder engagement; corporate governance; corporate social responsibility;

Social Shareholder Engagement (SSE) has been acknowledged as a major topic in the academic literature as well as in shareholder practices. On the ground, socially engaged shareholders are already taking up the challenge of new and responsible corporations. In Europe, there are almost € 2 trillion of assets hold by this category of shareholders (Eurosif, 2012). In the literature, Social Shareholder Engagement-SSE (Goodman and al., 2014) is commonly considered as one of the strategies a socially responsible investor can undertake (Hockerts and Moir, 2004). Thanks to the rights attached to share-ownership, this strategy takes up a minority position within corporate governance and aims at influencing the direction of firms in order to support social and environmental issues.

Yet, little is known on concrete means of engagement and investors are now seeking new levers of action. The impact of SSE on Corporate Social Responsibility has not met its expectations (Marens, 2004; Rojas and al., 2009), the movement thus needs to conceive or rediscover better practices to enhance its weight (Gifford, 2010).

In this exploratory research, we are studying how engaged shareholders can use their voting rights to influence corporations on their Environmental, Social and Governance (ESG) practices. On the European market, proxy voting turns out to be a key element. Though many academic contributions focus on shareholder proposals and consider them as one of the most prominent tool of shareholder activism (Sjöström, 2008), this tool faces many legal and market constraints in Europe (Masouros, 2010). Voting then stands as the other significant action within the reach of shareholders (Sandberg, 2011).

Shareholders are entitled to vote on issues put forward by the company or other shareholders at Annual General Meetings (AGMs). These issues take the legal form of resolutions. Shareholders can either vote in person and attend AGMs or resort to proxy agents. In the last case, they give their voting instructions regarding the proposed resolutions to these proxy

agents. The proxy agents then transmit these instructions to the issuer. Many asset management companies resort to these proxy agents. Asset managers produce their own proxy voting policy, which is mandatory for mutual funds in the United States (Rothberg and Mesa Graziano, 2004) and may be mandatory in every European Union State thanks to the amendment to the Directive 2007/36/EC adopted by the European Parliament in July 2015, regarding “the encouragement of long-term shareholder engagement”. However proxy agents have professionalized proxy voting and the power of proxy advisory firms is significant on voting trends (Masouros, 2010). Publishing its own proxy voting policy is then a first engagement step towards independent voting.

In this paper, we formed a first sample of voting policies from a small and contrasted group of asset management companies intervening on the European market. We have examined how their position differed and have looked for the main features of socially-engaged funds. We found out that there was little differentiation in practice. In the discussion, we attempt to path the way for some first explanations in order to frame further research.

Social Shareholder Engagement and proxy voting policies

SSE: starting with shareholder proposals

The first textbook case of SSE starts with General Motors’ annual meeting of 1970, when a group of shareholders representing the Project for Corporate Responsibility put forward a shareholder proposal about GM’s social corporate performance (Vogel, 1983). This socially-driven shareholder activism event follows multiple decades of shareholder activism. However the first shareholder activists of the early 20th century were mainly focused on corporate governance and control proposals (Marens, 2002).

GM's annual meeting then forces to distinguish socially-driven shareholder activism, which has later been called Social Shareholder Engagement (Goodman and al, 2014), from financially-driven shareholder activism (Chung and Talaulicar, 2010).

The following first contributions dealing specifically with SSE make a dent in the fundamentals of the conceptualisation of SSE. They report cases and trends of SSE (Graves, Rehbein and Waddock, 2001). They analyse management response to social shareholder activism (Hoffman, 1996), highlight the action of precise shareholder activists (Smith, 1996), study shareholder activism dealing with a specific social thematic (McCabe, 2000), and link SRI with social shareholder activism (Lewis and MacKenzie, 2000). This last article is also the first one to use the term “engagement” to describe social shareholder activism, calling it “active engagement” (Lewis and MacKenzie, 2000).

SSE thus became a new lever activist could use to change the World (Den Hond and De Bakker, 2007; Waygood and Werh Meyer, 2003). Socially-driven shareholder proposals are identified as both a process and a tool to meet corporate social responsibility expectations (Haigh and Hazelton, 2004), as means to improve management's accountability for stakeholders (McLaren, 2004) and human rights accountability (Dhir, 2006; Dhir, 2012), as a way of linking SRI and CSR (Sparks and Cowton, 2004), as a way of developing the SRI movement (Solomon and al., 2004), or as a type of SRI that can communicate CSR (Hockerts and Moir, 2004; Arjaliès, 2010; Viviers and Eccles, 2012).

Some other tools such as advertising, public outreach, educational campaigns are mentioned as well (Tkak, 2006) but shareholder proposals stay prominent in the literature (Sjöström, 2008). However, after the former enthusiasm of researchers, the concrete impact and outcome of these tools- shareholder proposals above all- appears to be quite poor (Marens, 2004; Deakin and Hobbs, 2007; Rojas and al., 2009).

At the opposite, some works insist on the positive effects shareholder activism can achieve on corporate environmental performance (Lee and Lounsbury, 2011; McAteern and Pulver, 2009) or on transparency (Lozano, Albareda, Balaguer, 2006). Others have studied management responsiveness to shareholder activism and propose knowledge to prepare better shareholder proposals strategies (Vandekerckhove, Leys and Van Braeckeln, 2007; Vandekerckhove, Leys, Van Braeckel, 2008). David, Bloom and Hillman argue in particular, the impact on management is much more symbolic than substantive (David, Bloom and Hillman, 2007). Logsdon, Rehbein and Van Buren support a focus on “Dialogue” with management rather than focusing on the issue of the shareholder proposal process (Logsdon, Rehbein and Van Buren, 2007; Logsdon and Van Buren, 2009).

Shareholder proposals: comparing US and Europe

Yet, even if we consider dialogue or symbolic achievements, the shareholder proposal process remains the only framework for shareholder engagement and most of these former studies are based upon North American empirical evidence and upon the US’s legal structure.

Shareholder proposals in the US context comply with the specific legal background of the Securities and Exchange Act, in particular Rule 14-8. This 1934 rule defines the terms and conditions of proposing shareholder resolutions at annual meetings. The revision of this rule in 1998 can explain some of the success of shareholder proposals in the US (Campbell, Gillian and Niden, 1999).

From 1998, in the USA, in order to submit a shareholder proposal to an annual meeting, some conditions must be met. First of all, the 1998 revision has toughened the eligibility conditions. Shareholders submitting a proposal must have held at least \$2000 or 1% of the company’s securities in market value for at least one year. They need to be able to prove ownership and they cannot submit more than one proposal each year. Secondly, there are

some limits to the area these proposals can cover. For instance, a shareholder proposal will not be received if it is improper under state law and it must be a recommendation or a request - non-binding for the company. It will not be received if it incites the company to violate the law, if it holds personal grievance, if it is not relevant in relation to the company's business (operations accounting for less than 5% the company's asset), nor if it deals with the company's ordinary business operations. The company's ordinary business operations are commonly considered to be management's prerogative and for a long time have been the major argument brought against social shareholder proposals. This condition was smoothened in 1998, notably to ease proposal submission in relation to workplace-related social issues (Campbell and al., 1999).

However, in a European context, the European Union threshold for putting an item on the annual meeting's agenda is to own 5% of a company (Masouros, 2010). As mostly large blockholdings are represented on the European asset market for listed corporations, many minority shareholders – and potential socially engaged shareholders- are below this threshold and they face other ownership thresholds to determine who the other shareholders they could have associated with -to propose resolutions- are (Masouros, 2010). These legal barriers and market structure have been very dissuasive especially for minority shareholders (Martynova and Renneboog, 2008).

Proxy voting and voting policies

As mentioned earlier, voting is the second standard option for shareholder activism and the second step after submitting a proposal in the shareholder engagement process. At annual meeting, shareholders have the legal right to vote management resolutions and shareholder resolutions, when they occur.

The shareholder engagement process has been frequently modelled thanks to Hirschman's options "Voice" and "Exit" (Hirschman, 1970). His analysis grid "Exit", "Voice" and "Loyalty" is a common reference in the corporate governance literature since Louis Lowenstein applied it to investors' behaviours in his famous book *What's wrong with Wall Street?* (Lowenstein, 1988). Many authors from the shareholder engagement literature refer to this "Voice" and "Exit" grid (Lewis and Mackenzie, 2000; Clark and Hebb, 2004; Chung and Talaulicar, 2010; Goodman and al., 2014 among others).

Shareholder engagement is part of the dynamics of the "Voice" alternative. While shareholder proposals clearly explain the views of one or a group of shareholders, shareholder voting reflects the views of the majority but it is limited to approval or disapproval. Voting policies thus broadens the range of shareholder voting, it gives substance to a "Yes" or "No" vote.

Furthermore, voting policies can overcome some of the restraints weighing on shareholder voting. In Europe, shareholder voting does not have as much legal constraints as for shareholder proposals but companies can make accessing to the right information harder for shareholders (Masouros, 2010) and secondly the market infrastructure is such that many shareholders gave part of their voting rights to proxy advisors (Masouros, 2010). These proxy advisors have their own positions and their own guidelines on how to vote at annual meetings (Ertimur, Ferri, Oesch, 2013). These guidelines are mainly financially-driven.

Hence, proxy voting policies appear as an interesting tool for engaged shareholders with diversified portfolios who cannot attend every AGMs of the companies in which they have interests. They can give meaning to their vote and give them some room to manoeuvre even if they depend on proxy agents.

Proxy voting policies: a potential tool for CSR

There is very little research dealing explicitly with proxy voting policies. The first two works to draw the attention on voting policies date from 1999. Fabris and Greink use voting policies as an analysis material to study the nature and the motives of the economic pressure fund managers can put on firms (Fabris and Greink, 1999). As for them, Aris Solomon and Jill Solomon view voting policies as means unit trust managers can grow activist features (Solomon and Solomon, 1999).

A 2004 article studied the implications of the US 2003 Securities and Exchange Commission rule which binds mutual funds to publish their voting policies (Rothberg and Mesa Graziano, 2004). This article exhibits the similarities of the voting rules mutual funds have chosen. The main goal of the 2003 SEC rule was to reduce conflicts of interest between mutual funds and firms. It stands as a guarantee that mutual funds will really vote against management's proposals at annual meetings if the company does not meet their corporate governance standards.

The impact of this rule on conflicts of interest was then analysed by Davis and Han Kim. They concluded there was no real evidence that mutual funds voted depending on their business ties with firms. However, up to them, the more mutual funds had "business ties" with firms they invested in, the less strict and demanding their voting policies were (Davis and Han Kim, 2007).

Thereafter, two 2013 articles dealt with proxy advisors' voting recommendations. As explained earlier, many shareholders hand down the exercise of their voting rights to proxy advisory agencies to which they give their voting instructions. In practice, the great majority of shareholders are passive. They adapt their own voting policy to the recommendations of these agencies. We can understand this phenomenon as a professionalization of proxy voting

guidelines as opposed to direct democratic shareholder voting rights. Ertimur, Ferri, Oesch compared the impact of the two main global proxy advisors, ISS and Glass Lewis's recommendations (Ertimur, Ferri, Oesch, 2013), which came to be very similar as well as very salient in voting trends. At an economic level, Larcker, McCall, and Ormazabal examined the relevance of following proxy advisors voting recommendations. They concluded there was some significant doubt on their impact on shareholder value. (Larcker, McCall, and Ormazabal, 2013). The same ones also produced a working paper to analyse the influence of recommendations on "Say on pay" in voting policies on boards' decisions (Larcker, McCall, Ormazabal, 20014). They found out that boards were anticipating these votes and thus complying in advance with proxy advisory firms' recommendations.

Hence, if voting rights are not legally that much protected and if the issue of the vote is mainly depending on proxy advisory firms' guidelines, disclosing a socially engaged proxy voting policy could stand as a declaration of faith. Sjöström has been suggesting that socially-driven shareholder activists are valuable as "norm entrepreneurs" (Sjöström, 2010) because even if they don't have the power to bind companies to comply with their requests, they have the power of contributing to shape the CSR norms and values. We could view proxy voting policies in the same manner, as tools that assert what shareholders consider to be good "governance".

To this regard, we formulate the following research question:

Q: Are the proxy voting policies of engaged and responsible shareholders supporting their engagement in corporate social responsibility?

We have conducted a first test of this assumption whose methods and results we will now expound.

Is engagement in CSR influencing shareholders' voting policy on the European market?

Problematics and methodology

The analysis of the academic literature raises expectations on the role proxy voting policies can undertake for SSE. We will now address the empirical evaluation of these expectations thanks to a first angle of investigation.

To this regard, we have two sub-questions. The first one deals with the nomenclature of proxy voting policy. What are the matters covered by the voting policy of an engaged shareholder, does it differ from financially-driven shareholder activists? Our second question focuses on the positions engaged shareholders stand by. Are these positions significantly engaged in CSR?

In order to address these issues, we formed a panel from a short sample of voting policies that are applied on the same market, the European market. This sample gathers the European or International voting guidelines of a proxy advisory firm, in this case ISS, of the first four top asset management companies in the World - Blackrock, Vanguard, SSGM and Allianz, of two World top European asset management companies – Amundi and Natixis, and of four socially engaged European asset management companies – Mirova, Ecofi, Federal Finance and Triodos. The funds of the last four companies were labeled as engaged funds by Novethic, an observation center and media which audits European funds and awards the responsible ones with a certification recognized and sought by field actors. These ten asset management companies all have in common of resorting to proxy agents for their voting instructions and of disclosing their proxy voting policies- which is not mandatory in every European country. The ISS voting guidelines was used for reference, because of the weight of these guidelines on proxy voting (Masouros, 2010). The six “classical” asset management companies represent

financially-driven shareholders and serve as comparison points for the four socially-driven shareholders.

The test consists of two stages. Firstly, we compared the different taxonomies of the ten proxy voting policies at our disposal to the proxy advisor's guidelines. The documents were heterogeneous in lengths and details. We thus sorted the items of these documents according to the reference document, ISS's guidelines. Some items were withdrawn from our analysis when the degree of precision and technicity was too high compared to the great majority of the sample¹. We kept the simple and general items which were conveying the company's orientation on the shareholder voting main categories in the proxy advisor's guidelines- operation voting process, board's election, compensation, capital structure, audit-related items and social and environmental issues- as well as the items that were disregarded by these reference guidelines. Then, we compared and evaluated the recurrence of these items in our sample (See Table 2).

In a second stage, we compared the orientations the asset management companies were taking on these items. In order to combine these various positions, we chose to code upon the functions they were fulfilling for shareholders. We notice 16 different functions. These functions can as well be summarised by two motives. The first category covers control motives, as in control for shareholder over management. The second category covers ethical motives such as taking into account long-term interests and stakeholder interests (See Table 1).

[Insert Table 1 about here]

¹For instance, Natixis's voting policy is very similar to Amundi's voting policy in the main orientations but is much longer and much more detailed. We thus have neglected some detailed and technical situations in order to focus on comparable items and general corporate events.

These two motives have already been pointed out by the literature on social shareholder engagement, as the confrontation of two competing theories, the shareholder approach of the agency theory and the stakeholder approach of the stakeholder model (McLaren, 2004; Guay and al., 2004; Goodman and Arenas, 2015 among others). The shareholder approach is linked to agency tenants such as Milton Friedman or Jensen and Meckling (Hoffman, 1996, Guay and al., 2004; Goodman and al., 2015.) whereas the stakeholder approach is linked to the stakeholder democracy tenants such as Freeman or Mitchell (Guay and al., 2004; Gifford, 2010; Goodman and al., 2015). The agency theory and the shareholder approach assert that the only aim of shareholder should be to maximise shareholder value (Jensen and Meckling, 1976). The stakeholder model which takes the opposite position, professes that corporations should consider the interests of all its stakeholders - the actors that they impact and who contribute to the collective projet of the corporation (Freeman, 1984; Mitchell and al., 1997).

The functions and motives that we identified were then sorted between a shareholder approach- control and financial objectives- and a stakeholder approach - ethical and long-term motives. We could have chosen to classify these incentives thanks to our former distinction between socially-driven and financially-driven actors (Chung and Talaulicar, 2010), but it could have led to a confusion between socially-driven actions and social motives in one hand and financially-driven actors and financial motives on the other hand.

The last step of this second stage was the association of a position- shareholder or stakeholder approach- to each item of every voting guidelines of our sample.

Analysis of the first results: stability of the nomenclature and relatively homogeneous positions tending to shareholder approach

Issue 1: Proxy voting policies' nomenclatures

[Insert Table 2 here]

Our Table 2 resume the matters shareholders covered by shareholders and propose a recurrence percentage of the major items found in our sample of proxy voting policies. The first result is that voting policies have stable nomenclatures. Most items appeared in more than 50% of the voting policies.

Some items are standing out such as auditing matters, allocation of dividends; amendments to articles of association, charters or bylaws; director election; board independence and attendance; executive compensation – say on pay; non-executive compensation; voting on social and environmental proposals and antitakeover mechanisms. All of them have an occurrence over 80% in our sample. We will use these specific items to discuss the diversity or homogeneity of positions of the proxy voting policies.

Other items are standing out because of their very low occurrence², in three or four of the voting policies of our sample, even if the matter covered would seem very important. For example, the item “employee representatives” is only covered by Natixis, Mirova and Ecofi. Mirova and Ecofi are both socially engaged shareholders, and Natixis is the parent company of Mirova which is the provider of Natixis's own voting policy. There is also the accountability of directors on environmental and social matters which is only covered by Blackrock and Mirova. If Mirova engaged itself on ESG criteria (Environmental, Social and

² In italics in Table 2

Governance), Blackrock is the world leading asset management company and a financially-driven shareholder activist.

As for now, regarding these first results, we can remark that there is little differentiation between the voting policies' nomenclatures of socially-driven or financially-driven actors. Nonetheless we can observe that a controversial item such as employee representative (Fauver and Fuerst, 2006) occurs in the voting policies of two socially-engaged actors, and of one financially-driven actor which has with close relationships with an engaged actor.

There is another remark we can make that doesn't appear in the classification of our Table 2. The way a proxy voting policy is presented, as a formal document, can give some indications of the further positions of its author. For instance, the voting policy of Ecofi- a socially engaged shareholder- puts at the top of its voting policy the Environmental and Social items. On another hand, Mirova doesn't have an "Environmental and Social" category. These items are scattered in each big category, which leads to think that ESG issues are everywhere.

Issue 2: Proxy voting policies' positions

Thanks to our previous results, we can draw the attention on the elements on which shareholders are really attentive and/or on which they propose different positions.

Our Table 3 displays these positions and codes them as either stakeholder approach³ or shareholder approach.

[Insert Table 3 about here]

Several remarks can be made. First of all, the positions are also relatively homogeneous. The great majority of the positions are coded "shareholder approach" even for socially-driven

³ In bold and italics in Table 3

shareholders. However, these socially-driven shareholders have more occurrences of stakeholder approach positions. To this regard, we can make new assumptions. Either these items do not lend themselves to differentiation or these socially-driven shareholders do not express their engagement in CSR through corporate governance recommendations. In the second case, if there is a possibility of a differentiated position but that is not reflected in their proxy voting policies, we can assume that they lack knowledge on this differentiated position or that they choose to convey their views on CSR through different means.

Secondly, we observed that some positions were not directly link with the original purpose of the items they were deciding on. For instance, Mirova determines its position on executive compensation depending on environmental and social performance. Executive compensation is usually defended in these proxy voting policies as a way of aligning shareholders' and executives' interests. Mirova, with a stakeholder approach, is requesting an alignment of stakeholders' and executives' interests. Blackrock, on another hand, stands that it can vote against members at the board's election if during the past year shareholder votes were not respected. Hence, it does not vote on whether the new or old directors are relevant choices for the company's strategy. It punishes or threatens them for neglecting shareholders' "Voice" (Goodman and al., 2014). Last example, we introduced an item "antitakeover mechanisms" because it is presented this way in many voting policies, but most shareholders introduce these corporate governance debates around antitakeover mechanisms to take positions on other items. For instance, the great majority of the positions on the capital structure category, for instance increase in capital or reduction of capital, were determined depending on whether they were asked to vote on these resolutions in period of takeover bids. For instance, Natixis votes against the repurchasing of actions in periods of takeover bid.

Regarding these lasts remarks, we can add two new assumptions that could lead to further inquiry. Some positions that stands out or items that stands out, such as employee

representative, comes from an implicit theory or opinions of these shareholders on that matter. We chose for this analysis to confront the agency and the stakeholder model. Yet, these two models aren't comprehensive of all our observations because they do not explain why shareholders adopt one and then the other approach for some items. We can ask ourselves if some socially-engaged shareholders aren't developing their own, however incomplete, theory on what is "good governance". On a second hand, shareholders seem to be using standard items on which they have to position themselves at AGMs to better control management's behaviour regarding other debates, other items, or other company strategies on which they aren't directly asked to vote. This could open the spectrum and suggest further engagement of shareholders in a company's "ordinary business matters", even if they don't have for now the legal framework or the usage legitimacy to do so.

Conclusion

We have presented in this paper an exploratory study on proxy voting policies as a lever for social shareholder engagement (SSE). SSE is a growing topic both in the literature and in practice, however there is a need for further investigation regarding concrete means of action. In Europe, there are some legal constraints on shareholder proposals and voting rights appear as a key element for shareholders who engage in CSR. Proxy voting policies can stand as a useful tool to support responsible voting practices for major shareholders who resort to proxy voting due to diversified portfolios.

Our investigation proposes preliminary results on this matter. From a short sample of voting policies of diversified asset management companies intervening on the European market, we conducted a first test to determine the position and the features of socially engaged funds compared to financially-driven ones.

Our results show little differentiation but contribute to the framing of further research. First of all, the relative stability of proxy voting policies' nomenclature and positions has led us to put forward new assumptions.

H1: There is no real potential of differentiation within shareholder voting

H2: Socially engaged shareholders have insufficient knowledge on the features of responsible governance that are not financially-driven

H3: A responsible corporate governance do not discriminate between shareholder and stakeholder approach

Second of all, regarding the few heterogeneous positions of shareholders, both financially and socially-driven shareholders, two other assumptions have emerged.

H5: Stakeholder approach makes it way in the views of socially-engaged shareholder on corporate governance

H6: Shareholders can make an indirect use of the rigid nomenclatures of proxy voting policies and proxy voting matters to put forward their own positions on larger, and sometimes controversial, matters.

Hence, six new hypotheses ensue from this exploratory study that calls for further research linking proxy voting policies and socially engaged shareholder means of actions. This first framing could also contribute to some challenging researches for the theoretical conceptualisation of responsible corporate governance.

There are some limits to our investigation that must be mentioned. Firstly, our test was run on a very limited and not exhaustive sample. It could be interesting to conduct the same test on a broader panel to compare the outcomes. Secondly, the proxy voting policies at our disposal

were publicly disclosed documents. They cannot completely attest of the real practice of voting rights and even of the reference tool within the company for voting policies.

References

- Albareda, Laura; Lozano, Josep M.; Tencati, Antonio; Midttun, Atle; Perrini, Francesco, 2008, 'The changing role of governments in corporate social responsibility: drivers and responses'. *Business Ethics: A European Review*, 17: 347-363.
- Arjaliès, Diane-Laure, 2010, "Social Movement Perspective on Finance: How Socially Responsible Investment Mattered?". *Journal of Business Ethics*, 92: 57–78.
- Campbell, Cynthia J.; Gillian, Stuart L.; Niden, Cathy M, 1999, "Current perspectives on shareholder proposals: lessons from the 1997 proxy season". *Financial Management* 28(1): 89–98.
- Chung, Huimin; Talaulicar, Till, 2010, "Forms and effects of shareholder activism". *Corporate Governance: An International Review*, 18: 253-257.
- Clark, Gordon L.; Hebb, Tessa, 2004, "Pension fund corporate engagement. The fifth stage of capitalism". *Relations Industrielles/Industrial Relations* 59(1): 142–171.
- David Parthiban; Bloom Matt; Hillman Amy, 2007, "Investor activism, managerial responsiveness, and corporate social performance". *Strategic Management Journal*, 28: 91–100.
- Davis, Gerald F.; Kim, E. Han, 2007, "Business Ties and Proxy Voting by Mutual Funds". *Journal of Financial Economics*, August 2007, 85: 552-570
- Deakin, Simon; Hobbs, Richard, 2007, "False or dawn for CSR? Shifts in regulatory policy and the response of the corporate and financial sectors in Britain". *Corporate Governance: an International Review*, 15(1): 68–76.

Den Hond, Frank; De Bakker, Frank G. A., 2007, “Ideologically motivated activism: how activist groups influence corporate social change activities?”. *Academy of Management Review*, 32: 901–924.

Dhir, Aaron A., 2006, “Realigning the corporate building blocks: shareholder proposals as a vehicle for achieving corporate social and human rights accountability”. *American Business Law Journal*, 43(2): 365–412.

Dhir, Aaron A., 2012, “Shareholder engagement in the embedded business corporation: Investment activism, human rights, and TWAIL discourse”. *Business Ethics Quarterly*, 22(1): 99–118.

Ertimur, Yonca; Ferri, Fabrizio; Oesch, David, 2013, “Shareholder Votes and Proxy Advisors: Evidence from Say on Pay”. *Journal of Accounting Research*, 51: 951-996.

Eurosif, 2012, “European SRI study”. from <http://www.eurosif.org/publication/european-sri-study-2012/>; Retrieved January 11, 2016.

Fabris, Paul; Greinke, Andrew, 1999, “Institutional Activism: attitudes of Australian fund managers”. *Corporate Governance: An International Review*, 7: 379-384.

Fauver, Larry; Fuerst, Michael E., 2006, “Does good corporate governance include employee representation? Evidence from German corporate boards”. *Journal of Financial Economics*, 82: 673-710

Freeman, R. Edward, 1984, *Strategic Management: A Stakeholder Approach*. Boston, MA: Pittman.

Gifford, E. James. M., 2010, “Effective shareholder engagement: The factors that contribute to shareholder salience”. *Journal of Business Ethics*, 92: 79–97.

Goodman, Jennifer; Louche, Céline; Van Cranenburgh, Katinka C.; Arenas, Daniel, 2014, “Social shareholder engagement: The dynamics of voice and exit”. *Journal of Business Ethics*, 125(2): 193-210.

Goodman, Jennifer; Arenas, Daniel, 2015, “Engaging Ethically: A Discourse Ethics Perspective on Social Shareholder Engagement”. *Business Ethics Quarterly*, 25(2): 163-189.

Graves, Samuel B.; Rehbein, Kathleen; Waddock, Sandra, 2001, “Fad and fashion in shareholder activism: The landscape of shareholder resolutions, 1988–1998”. *Business and Society Review*, 106(4): 293–314.

Guay, Terrence, Doh, Jonathan P., Sinclair, Graham, 2004, “Non-governmental organizations, shareholder activism, and socially responsible investments: ethical, strategic, and governance implications”. *Journal of Business Ethics*, 52(1): 125–139.

Haigh, Matthew, Hazelton, James, 2004, “Financial markets: a tool for social responsibility?”. *Journal of Business Ethics*, 52(1): 59–71.

Hirschman, Alfred O., 1970, *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge, MA: Harvard University Press.

Hockerts, Kai; Moir, Lance, 2004, “Communicating Corporate Responsibility to Investors: The Changing Role of the Investor Relations Function”. *Journal of Business Ethics*, 52(1): 85-98.

Hoffman, Andrew J., 1996, “A strategic response to shareholder activism”. *Sloan Management Review*, 37(2): 51–64.

Jensen, Michael C.; Meckling, William H, 1976, “Theory of the firm: managerial behaviour, agency costs and ownership structure”, *Journal of Financial Economics*, 3: 305-360.

Larcker, David F.; McCall, Allan L.; Ormazabal, Gaizka, 2013, “Proxy advisory firms and stock option repricing”. *Journal of Accounting & Economics*, 56: 149-169.

Larcker, David F.; McCall, Allan L.; Ormazabal, Gaizka, 2014, “The Economic Consequences of Proxy Advisor Say-on-Pay Voting Policies”. Working Papers (Faculty) - Stanford Graduate School of Business, July 2014, Stanford, California.

Lee, Min-Dong Paul.; Lounsbury, Michael, 2011, “Domesticating radical rant and rage: An exploration of the consequences of environmental shareholder resolutions on corporate environmental performance”. *Business and Society*, 50(1): 155–188.

Lewis, Alan; Mackenzie, Craig, 2000, “Support for investor activism among U.K. ethical investors”. *Journal of Business Ethics*, 24(3): 215–222.

Logsdon, Jeanne M.; Rehbein, Kathleen; Van Buren, Harry J., 2007, “Seeking social change through shareholder activism: When do corporations respond positively to shareholder resolutions?”. *Academy of Management Annual Meeting Proceedings*, Philadelphia, Pennsylvania.

Logsdon, Jeanne M.; Van Buren, Harry J., 2009, “Beyond the proxy vote: Dialogues between shareholder activists and corporations”. *Journal of Business Ethics*, 87: 353–365.

Lowenstein, Louis, 1988, *What's Wrong With Wall Street: Short-Term Gain and the Absentee Shareholder*. Reading, MA : Addison-Wesley.

Marens, Richard, 2002, “Inventing Corporate Governance: The Mid-Century Emergence of Shareholder Activism”. *Journal of Business & Management*, 8: 365-389.

Marens, Richard, 2004, "Waiting for the North to Rise: Revisiting Barber and Rifkin after a Generation of Union Financial Activism in the U.S.". *Journal of Business Ethics*, 52(1): 109-123.

Martynova, Marina; Renneboog, Luc, 2008, 'Spillover of corporate governance standards in cross-border mergers and acquisitions'. *Journal of Corporate Finance*, 14: 200-223.

Masouros, Pavlos E, 2010, "Is the EU taking shareholder rights seriously? An essay on the impotence of shareholdership in corporate Europe". *European Company Law*, 7: 195-203.

McAteer, Emily; Pulver, Simone, 2009, "The Corporate Boomerang: Shareholder Transnational Advocacy Networks Targeting Oil Companies in the Ecuadorian Amazon". *Global Environmental Politics*, 9(1): 1-30.

McCabe, Douglas M., 2000, "Global Labor and Worksite Standards: A Strategic Ethical Analysis of Shareholder Employee Relations Resolutions". *Journal of Business Ethics*, 23(1): p101-110.

McLaren, Duncan, 2004, "Global stakeholders: Corporate accountability and investor engagement". *Corporate Governance: An International Review*, 12(2): 191–201.

Mitchell, Ronald. K.; Agle, Bradley R.; Wood, Donna J., 1997, "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts", *Academy of Management Review*, 22: 853–886.

Rojas, Miguel; M'Zali, Bouchra; Turcotte, Marie-France; Merrigan, Philip, 2009, "Bringing about changes to corporate social policy through shareholder activism: Filers, issues, targets, and success". *Business and Society Review*, 114(2): 217–252.

Rothberg, Burton; De Mesa Graziano, Cheryl, “Eyeing New Investment Fund Rules”. *Financial Executive*, Sep2004, 20(6): 66-68.

Sandberg, Joakim, 2011, “Changing the world through shareholder activism?”. *Etikk i praksis /Nordic Journal of Applied Ethics*, 5 (1): 51–78.

Sjöström, Emma, 2008, “Shareholder activism for corporate social responsibility: what do we know?”. *Sustainable Development*, 16(3): 141-154.

Sjöström, Emma, 2010, “Shareholders as norm entrepreneurs for corporate social responsibility”. *Journal of Business Ethics*, 94: 177–191.

Smith, Michael P., 1996, “Shareholder Activism by Institutional Investors: Evidence from CalPERS”. *Journal of Finance*, 51(1): 227-252.

Solomon, Aris; Solomon, Jill F., 1999, “Empirical Evidence of Long-Termism and Shareholder Activism in UK Unit Trusts”. *Corporate Governance: An International Review*, 7: 288-300.

Solomon, Aris; Solomon, Jill F.; Suto, Megumi, 2004, “Can the UK experience provide lessons for the evolution of SRI in Japan?”. *Corporate Governance: an International Review*, 12: 552–566.

Sparkes, Russel; Cowton, Christopher J., 2004, “The maturing of socially responsible investment: A review of the developing link with corporate social responsibility”. *Journal of Business Ethics*, 52(1): 45–57.

Tkac, Paula, 2006, “One proxy at a time: Pursuing social change through shareholder proposals”. *Economic Review, Federal Reserve Bank of Atlanta*, 91(3): 1–20.

Vandekerckhove, Wim; Leys, Jos; Van Braeckel, Dirk, 2007, “That’s not what happened and it’s not my fault anyway! An exploration of management attitudes towards SRI-shareholder engagement”. *Business Ethics: A European Review*, 16(4): 403–418.

Vandekerckhove, Wim; Leys, Jos; Van Braeckel, Dirk, 2008, “A speech-act model for talking to management. Building a framework for valuating communication within the SRI engagement process”. *Journal of Business Ethics*, 82(1): 77–91.

Viviers, S; Eccles, N. S, 2012, ‘35 years of socially responsible investing (SRI) research – General trends over time’. *South African Journal of Business Management*, 43(4): 1-16.

Vogel, David, 1983, “Trends in shareholder activism: 1970–1982”. *California Management Review*, 25(3): 68–87.

Waygood, Steve; Wehrmeyer, Walter, 2003, “A critical assessment of how non-governmental organizations use the capital markets to achieve their aims: a UK study”. *Business Strategy and the Environment*, 12(6): 372–385.

Appendix

Table 1: The different drivers of shareholders' position

This table assigns to each functional driver of shareholders a specific motive – control or ethics – regarding their positions on proxy voting policies items.

Functions' of shareholders positions	Shareholder motives
Guaranteeing quality of information	Control
Guaranteeing equal treatment of shareholders	Control
Guaranteeing free-trading of shares	Control
Guaranteeing shares' value	Control
Fighting against capital dilution	Control
Guaranteeing shareholder compensation	Control
Fighting against procedural limits to voting	Control
Guaranteeing liability of directors	Control
Fighting against conflicts of interests	Control
Fighting against cronyism	Control
Guaranteeing the balance of power	Control
Insuring efficiency	Control
Guaranteeing the long term interests of the company	Ethics
Supporting the interest of stakeholders	Ethics
Aligning shareholders' and executives' interests	Control
Supporting ethics / the company's image	Ethics

Table 2: The relative stability of proxy voting policies' nomenclatures

From the different occurrences of each proxy voting policies major items, this table gives a percentage of recurrence for these items. We can observe that most percentages are above 50 %.

Categories	Items	% of recurrence
Operational Items	Financial Results / Director and Audit Reports	73%
	Appointment of Auditors and Auditors Fees	100%
	Allocation of income (dividends)	82%
	Amendments to article of association / charts / bylaws	91%
	Bundled Proposals	64%
Board of Directors	Director Election	100%
	* Board independence	100%
	*Disclosure of names of nominees	64%
	* Combined Chairman and CEO	55%
	* Overboarded Directors	73%
	* Composition of the Board (skills/diversity)	64%
	* <i>Employee representatives</i>	27%
	* Composition of Committees	64%
	*Attendance (Boards and Committees)	100%
Shareholder rights	One share- One vote	82%
Capital Structure	General Issuance	73%
	Specific Issuance	64%
	Increases in Authorized Capital	73%
	Reduction of Capital	55%
Compensation	Executive compensation-related proposals / Say on Pay	91%
	Disclosure of performance criteria / Remuneration report	55%
	Stock-based compensation plans	73%
	Bonus plans	64%
	Executive severance agreements	64%
	Non-Executive Director Compensation	91%
	Equity based compensation proposals for employee	73%
Environmental and Social Issues	Voting on Social and Environmental Proposals	91%
	Annual Reports	55%
	<i>Donations</i>	36%
	<i>Accountability of Directors</i>	18%
Other items	<i>Governance structure</i>	36%
	Mergers and Acquisitions	73%
	Related-Party Transactions	73%
	Antitakeover Mechanisms	100%
	Shareholder Proposals	45%

